

A Checklist for Business Leadership

Setting a Course through an Economic Storm

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The present crisis in banking and on Wall Street is hitting the U.S. economy like a storm of hurricane force. While the impact will be felt to differing degrees, every business will be impacted. If you don't have a strategy for weathering this storm, it's time to get one.

Piloting a business through calm seas can be challenging enough. But when skies darken, winds howl, and the full fury of the storm engulfs your business there is need for leadership to step up, calm fears, set the tone, and show the way. The following will provide a comprehensive checklist to get you started.

- I. **Re-Establish Your Organizational Focus and Direction** – With news of troubled companies and gloomy outlooks broadcasted in papers and on nightly newscasts it is easy for members of your team to get discouraged. To help people keep “their eye on the ball” it's important to continually remind everyone of your business focus and direction.
 - a. **Reassure** – Reassure everyone that this situation, painful as it may be, is temporary. There have been economic downturns in the past and the strong companies not only find a way to survive, they prosper.
 - b. **Reinforce Your Guiding Principles** – In times like these it's important to stay true to who you are or emotions, stress, and turmoil can pull you far off course. The compass of a business is framed in its core values, beliefs, and culture. These need to be strongly reinforced.
 - c. **Reaffirm Your Business Purpose** – Remind your team why you are in the business you are in. Tell them again why what they do is important to your customers and society.
 - d. **Focus the Business on Profitability** – A business depends on its cash flow. This is even more important when access to credit tightens. Since profit from operations is the life-blood of cash flow make certain everyone knows the importance of looking for ways to ensure profits are maximized.

- II. **Update Your Strategy** – A business strategy is only as good as the assumptions upon which it is founded. Given the magnitude of this economic storm and the lack of advanced notice I would challenge every CEO to assume their business assumptions have changed. It is critical that you take steps to update your business strategy and priorities to respond to the current conditions.
 - a. **Re-Commit to Your Mission** – It is unlikely that the crisis will change the mission of your business. That said the first step in updating your strategy is to recommit to what you do, how you differentiate from competitors, and the customers and markets you serve.
 - b. **Complete a Thorough Self-Examination** – Does the current climate affect any strength that you have relied upon or accentuate a weakness? Are there any new advantages or disadvantages created? Some things to evaluate might include:
 - i. Strategic advantages – Will any be lost or created? How will your ability to leverage advantages be impacted?
 - ii. Customers and markets – Will any be lost, created, gain importance, or lose importance? Do you have access to what you need to respond?
 - iii. Competitors – Will any competitors become vulnerable and can you capitalize on their misfortune? Which customers or markets will become vulnerable to competitor advances and what defenses will you need?

- iv. Product mix – How will demand for products change? How will pricing and profit margins be impacted?
 - v. Customer service – How will customer expectations change?
 - vi. People – What competencies are critical to success? Is there risk or opportunity in how you acquire, support, and maintain your key assets?
 - vii. Processes, facilities, and production – What impacts or opportunities will be created around your business processes, facilities, and production capabilities?
 - viii. Technology – What technology is critical to your business and how will this be impacted?
 - ix. Business relationships – How will suppliers, vendors, and business partners be impacted by the economic situation? How will this affect their relationship with you?
 - x. Legal and regulatory environment – What legal and regulatory changes have been enacted? How will these create threats or opportunities for your firm?
- c. **Establish Strategic Objectives and Priorities for the Business** – In a crisis situation it is easy to be pulled in multiple directions. Time and resources are valuable commodities that can't be wasted. It is critical that everyone has a clear understanding of what the business will (and will not) be aiming at so all can be as productive as possible.
- i. Revenues – What is the expectation of revenues to be produced? What will be the sources and mix of revenues?
 - ii. Market focus – What geographic footprint will you serve? What market segments and customers will you target? What markets and customers will no longer be supported?
 - iii. Product offerings – What will be the mix? What products will be developed, scaled up, or discontinued?
 - iv. Financing - What will be the sources of capital – cash flow, LOC, private investment, public investment?
 - v. M&A – Is there a decision to buy, sell, or partner?

III. **Revise The Operations Plan** – With the course for the business established the next step requires the updated business strategy be operationalized. This is accomplished through planning and budgeting.

- a. **Business Planning** –What initiatives will be required and how will they be executed? Who will be assigned the task of championing these to conclusion?
- b. **Forecast, Budget, and Benchmarks** – Times of significant change reduce your ability to see confidently into the future. Given the uncertainties in the environment a business must retain operational flexibility within a structure of needed controls. A six month pro forma model that details forecasted revenues, constructs an operating budget, and reports expected performance of key business benchmarks should be developed.

IV. **Business Function Checklists** – The front lines of the business will be first to feel the impact of the economic crisis and also the first to exhibit business vulnerabilities. Functional executives need to be fully engaged and prepared to manage through a rapidly changing environment. The following provides a list of questions to get a dialogue with them started:

- a. **Accounting and Finance**
 - i. Banking and Financing
 - 1. Are your current sources of business financing stable?
 - 2. Are you positioned to meet loan covenants and agreements?
 - 3. Do you have access to bonds and credit needed to run the business?
 - 4. Do you have access to capital for needed business investment?

- ii. Tax Accounting
 - 1. Are any tax payments coming?
 - 2. Are financial reporting systems delivering timely and accurately?
- iii. Insurance
 - 1. Are companies providing key coverage's stable?
 - 2. Is your business risk profile changing?
 - 3. Is your renewal strategy prepared and ready to execute?
- iv. Accounts Payable
 - 1. Are proper authorization limits and controls in place and operating properly?
 - 2. Are proper verification controls in place and operating properly?
- v. Accounts Receivable
 - 1. Is your credit policy reflecting the present operating environment?
 - 2. Do you know what customer accounts are current, and which are not?
 - 3. Are people and process needed to support collections activities in place?
 - 4. Is there a contingency plan to access capital should collections slow?
- vi. Cost Accounting
 - 1. Do you know your product costs?
 - 2. What adjustments to cost factors are needed?
 - 3. How will cost changes impact product pricing and margins?
- vii. Financial Reporting
 - 1. Will there be new "users" asking for this information?
 - 2. Will financial information be evaluated differently than it has been?
 - 3. Is reporting timely, current, and accurate?
- viii. Management Reporting
 - 1. Is reporting timely and accurate?
 - 2. What new information will managers need?
- ix. Staffing, Training, and Development
 - 1. Do you have the right people on board?
 - 2. What changes need to be made?
 - 3. Do you have access and can you afford the expertise you need?
- b. **Sales and Marketing**
 - i. Sales and Marketing Tactical Planning
 - 1. Has the sales team been given a clear target on the market?
 - 2. How has the competitive landscape changed, are you responding?
 - 3. Is there a "go to market" strategy that will deliver in this climate?
 - 4. Do you have the right channels established to effectively reach your targeted customers?
 - 5. Does the Sales Team understand the importance of their role as collectors of market intelligence in these times?
 - ii. Branding
 - 1. Are business and products properly differentiated in the minds of your customers?
 - 2. Are you positioning your products and brand effectively?
 - iii. Advertising and Promotion
 - 1. Is your message reaching its target?
 - 2. Is there a more cost effective way to get your message out?
 - iv. Sales Strategy
 - 1. How is your sales cycle changing?

2. Have customer priorities changed, are you responding?
3. Are you ready to sell value versus cost?
- v. Sales Pricing and Execution
 1. Are your products priced where they need to be?
 2. What changes to contract terms and conditions are needed?
 3. Is your Sales team prepared and ready to “sell” versus take orders?
- vi. Staffing, Training, and Development
 1. Do you have the right people on board?
 2. What changes need to be made?
 3. Do you have access and can you afford the expertise you need?
- c. **Operations**
 - i. People, Processes, and Systems
 1. Are you operating as efficiently and effectively as you can?
 2. Can operations adapt quickly to changing conditions if needed?
 - ii. Product Development, Engineering, Design
 1. Are there improvements that can be made to the design of products and services to improve quality, production, or reduce costs?
 2. Are you prepared to rapidly respond to new opportunities that may be presented?
 - iii. Facilities
 1. Does your facility strategy support the direction your business is going?
 2. Is there opportunity to renegotiate leases, close facilities, or acquire property?
 - iv. Purchasing and Supply Chain Management
 1. Is your current strategy the right strategy?
 2. Are key suppliers stable and reliable?
 3. Can resources be acquired at more competitive terms?
 - v. Manufacturing, Production, Installation, Service
 1. Are you operating as efficiently and effectively as you can?
 2. Are you positioned to adapt quickly to changing conditions if needed?
 - vi. Logistics, Transportation, Warehousing
 1. Is your current strategy the right strategy?
 2. Are key business partners stable and reliable?
 3. Are there opportunities to get products to customers at more competitive terms?
 - vii. Staffing, Training, and Development
 1. Do you have the right people on board?
 2. What changes need to be made?
 3. Do you have access and can you afford the expertise you need?
- d. **Information Systems**
 - i. IT Strategy
 1. Is your IT strategy aligned with your business direction?
 2. Are you leveraging your IT resources to the greatest extent possible?
 3. Are you positioned to quickly respond and adapt to changes?
 4. Are there any disruptive forces at play that could make you more or less competitive?
 - ii. Technology Projects
 1. Are current projects still your top priorities, any no longer needed?
 2. Are needed projects on track and on budget?
 - iii. Technology Partners

1. Are you aligned with the right partners?
2. Are partners stable and reliable?
- iv. Staffing, Training, and Development
 1. Do you have the right people on board?
 2. What changes need to be made?
 3. Do you have access and can you afford the expertise you need?
- e. **HR and Administration**
 - i. Workforce Administration
 1. Are you prepared to support rapid changes to your workforce (hiring, firing, layoffs) if needed?
 2. Is Finance aware of any incentive, commission, or other extraordinary compensation payments that are on the horizon?
 - ii. Benefit Administration
 1. Are current providers stable and reliable?
 2. When will contracts renew and what increases are anticipated?
 - iii. Recruiting and Staffing
 1. Have open positions been reviewed against the current strategy, any no longer needed?
 2. Is there potential for savings in how candidates are accessed?
 - iv. Workforce Development
 1. Are training and development investments consistent with current strategy?
 2. Is there opportunity for savings in how workforce training is secured?
 - v. Staffing, Training, and Development
 1. Do you have the right people on board?
 2. What changes need to be made?
 3. Do you have access and can you afford the expertise you need?